8/22/84 S3195-1(u) A

# TWENTY-FIFTH

# BIENNIAL REPORT

# OF THE

# PUBLIC SERVICE COMMISSION

# OF KENTUCKY

## JULY 1, 1981 THRU JUNE 30, 1983

FRANKFORT, KENTUCKY

COMMONWEALTH OF KENTUCKY
**PUBLIC SERVICE COMMISSION**
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 1984

The Honorable Martha Layne Collins
Governor
Commonwealth of Kentucky

Dear Governor Collins:

The 1982-83 biennium brought numerous changes to the Public Service Commission, affecting regulatory policies and procedures, as well as the operation of the Commission and its staff.

The Commission and staff have worked with federal agencies and representatives of state utilities to meet standards established by the Public Utility Regulatory Policies Act. To implement the act, the Commission has developed electric rates that reflect time-of-day usage, rejected a plan to offer lifeline rates to eligible electric customers, and prohibited master metering practices employed by some electric utilities.

During the biennium, the Commission began studing the feasibility of statewide planning of electric generation and transmission facilities, intended to encourage power-pooling and conservation. This study should be completed in the summer of 1984.

With increased consumer awareness of and participation in the rate-making process, the Commission began actively intervening in a number of cases at the federal level on behalf of Kentucky customers. Utilities whose service areas cross state boundaries are directed by the Federal Energy Regulatory Commission, and the Kentucky Commission routinely reviews federal action for potential effects on Kentucky rate payers, intervening in cases when necessary.

With the advent of change, there are new challenges to be met. The Public Service Commission and its staff continue striving toward establishing equitable and reasonable policies that will benefit both utilities and their customers.

It is with honor that we submit the 25th biennial report of the Public Service Commission.

Sincerely,

PUBLIC SERVICE COMMISSION

Laura L. Murrell
Chairman

Rush W. Dozier, Jr.
Vice Chairman

Dennis P. Carrigan
Commissioner

Larry D. Stanley
Executive Director

Richard D. Heman, Jr.
Secretary

## INTRODUCTION

Kentucky's Public Service Commission is a three-member administrative body with quasi-legislative and quasi-judicial duties. It is funded by an assessment paid by all utilities under the Commission's jurisdiction. The assessment is based on a utility's gross intrastate revenues, and the amount is determined by state Finance and Revenue officials.

Created by Chapter 145 of the Acts of the 1934 General Assembly, the Commission regulates the intrastate rates and services of investor-owned electric, natural gas, telephone, water and sewage utilities; customer-owned electric and telephone cooperatives, and water districts and associations; and certain aspects of pipelines.

The Commission performs its regulatory functions through written orders, following adjudicative and rule-making procedures outlined in Chapter 278 of the Kentucky Revised Statutes. Administrative regulations promulgated by the Commission appear in Chapter 807 of the Kentucky Administrative Regulations.

This biennial report highlights Commission activities from July 1, 1981 through June 30, 1983, and includes a brief history of the Commission, the current staff structure, and specific accomplishments during this time.

## HISTORIC OVERVIEW

When the Commission was created by the 1934 General Assembly, its jurisdiction extended to privately- and municipally-owned water, electric, gas, telephone and street-railway utilities. It was funded by an assessment of regulated utilities.

Municipally-owned utilities were removed from Commission jurisdiction in 1936, but the Commission retained control of those operations outside a municipal utility's corporate boundaries. In 1950 the General Assembly moved jurisdiction of street-railways from the Commission to the Department of Motor Transportation. In 1964 water districts were placed under Commission jurisdiction, and in 1975 it began regulating sewer utilities.

During its first 15 years, the Commission simplified utility rate schedules, eliminated unreasonable rate differentials, and set standards that would regulate utilities for the next two decades.

Later, the Commission focused on expanding both telephone and electric service into rural areas. In 1950, when only 26 percent of Kentucky farms had telephones, the General Assembly enacted the Rural Telephone Cooperative Act, providing means for cooperatives to organize and operate under Commission jurisdiction. In 1951 the Commission approved the organization of East Kentucky Rural Electric Cooperative to generate and transmit power for its 18 member cooperatives to distribute. By now, 76 percent of Kentucky farms had electric service.

In its early years, the Commission was concerned that adequate utility service at reasonable rates was available to most Kentuckians. By the late 1950s it concentrated on maintaining a healthy atmosphere for utilities while keeping customer rates fair.

In 1965 the Commission opened a meter standards laboratory in Lexington. The lab formulates standards and calibrates meters to ensure uniform measurement of service. The laboratory was one of the first in the country operated by a state commission.

The Commission began revising its regulations in 1966 when new regulations for natural gas pipeline and employee safety were proposed, and rules governing telephones were altered. The General Assembly authorized the Commission to certify service areas of electric utilities. Also, changes required the Commission to hold preliminary hearings prior to approving water associations, and to initiate feasibility studies on mergers of water districts and associations.

In the early 1970s the Commission established purchased gas adjustment clauses to "pass through" changes in the wholesale price of gas. Since gas supplies were short then, the Commission ordered gas companies to begin conservation education campaigns and end promotional advertising. Also during this time, the Commission was expanded from three to five members. By 1976, the executive director position was created and a full-time legal staff was obtained.

In the late 1970s the Commission ordered that flat sewer rates be charged rather than rates based on water usage. Depreciation on contributed property was disallowed and the operating ratio was used to determine revenue requirements.

In 1978 the General Assembly enacted legislation to replace the five-member Public Service Commission with two three-member commissions. The Energy Regulatory Commission and Utility Regulatory Commission were served by a single staff. The two commissions were combined into a single three-member Public Service Commission in 1981. The new Commission's members are full time, improving efficiency and reducing costs.

## The Commission and Staff

Three full-time commissioners make up the Public Service Commission. Each is appointed to a staggered four-year term by the governor, with the consent of the Senate.

During the biennium that ended June 30, 1983 four individuals served on the Commission.

Lexington attorney Katherine Randall was vice chairman of the Commission from March 1, 1981 until her term expired June 1, 1983. Prior to the executive order establishing the PSC, Randall was chairman of the Utility Regulatory Commission from November 1980 through February 1981.

Marlin M. Volz served as the first chairman of the newly reorganized Public Service Commission, beginning his term on March 1, 1981. He resigned in the summer of 1982 to return to his faculty position at the University of Louisville School of Law.

Dennis P. Carrigan, Lexington, was appointed commissioner in March 1981. He had previously served as executive director of the Energy and Utility Regulatory Commissions. Carrigan has vast experience in both the public and private sectors. His term expires July 1, 1984.

Frankfort attorney Laura L. Murrell was appointed to fill the unexpired term vacated by Chairman Volz. She became commission chairman on October 18, 1982 and will serve through July 1, 1985.

Currently serving as vice chairman is Rush W. Dozier, Jr. of Lexington. Dozier was appointed September 21, 1983 and his term expires July 1, 1987. Prior to his appointment, Dozier had served as executive assistant and general counsel to the governor. He is a former editor of the Lexington Herald.

When this report was printed, 90 persons were on the staff of the Public Service Commission. A complete list of the Commission and staff follows.

Commission: Laura L. Murrell, chairman; Rush W. Dozier, Jr., vice chairman; Dennis Carrigan, commissioner; Martha McClain, secretary; and Charlotte Harley, secretary.

Executive Director: Larry D. Stanley; Carolyn Brown, secretary; David McDowell, systems manager; and Constance J. Parrish, public information.

Office of the Secretary: Richard Heman, secretary to the Commission; Joann Conway, Claudine Gardner, Helen Vance, Walter Hopper, Joey Froehlich, and Susan Hutcherson.

Administrative Services: Harold Greenwood, director; Leigh Hutchens, Frances Bryant, personnel officer; and Delores Coleman, receptionist.

Legal Division: William Sawyer, general counsel; Paul Cupp; Jack Hughes; Richard Raff; Ellyn Crutcher; and Ann Peveler, secretary.

Research Division: Chuck Buechel, director; Jim Sharpe and Jeff Hoagg.

Rates and Tariffs Division: Forest Skaggs, director and Chris Shelton, secretary. Statistical Analysis Section: William Feldman, Nancy Collins and Joyce Spear. Information Production Section: Linda Barnes, Kathy Lewis, Kathy Warren, Doris Palmer and Diana Cabatbat RECC/RTC Electric Section: Gary Forman, Jeff Shaw, Carl Combs, Barry Scott, Tom Wells and Steven Gilley. Utilities Section: Phyllis Fannin, Dennis Jones, Larry Harley, Charlie Vickers, Jack Kaninberg and Clay Hulette. Communications, Water and Sewer Tariff Section: George Sallee, Bob Redmond, Barbara Jones, Carryn Lee, Jordan Neel and Jewell Rhody. Gas and Electric Tariff Section: Tom Petersen, Ken Ramey, Tom Messinger, Mark Winter, Judy Mitchell and Sheila Kuzma.

Engineering Division: Claude Rhorer, director; Jan Powers, secretary; Leann Stover and Sonya King. Consumer Services Section: Annette Kemper; Louise Conway. Electrical Section: Jack Fisher, Eugene Presley, and Michael Nantz; Meter Standards Laboratory: Denis Hildenbrand. Water and Sewage Section: Byrnes Fairchild, Bob Arnett, Eddie Smith, Mike Newton, Larry Updike and George Allison. Gas Section: Scott Smith, Larry Amburgey, Bob Bruflat, John Van Volkenburgh, Jack Stumbo, Jeff Schroeder and Mary Frances Bush, secretary Communications Section: Wayne Bates, Steve Gorman, Jim Johnson and Joan Brown, secretary.

## THE LAST BIENNIUM

The Public Service Commission regulates the rates and service of 559 utilities:

| | |
|---|---|
| Private Electric | 9 |
| Rural Electric Cooperatives (Distributors) | 27 |
| Rural Electric Cooperatives (Generators) | 2 |
| Private Natural Gas | 38 |
| Gas District | 1 |
| Gas Pipeline | 2 |
| Radiotelephone | 22 |
| Private Telephone | 11 |
| Rural Telephone Cooperatives | 11 |
| Private Water | 44 |
| Water Districts | 144 |
| Water Associations | 35 |
| Sewer | 212 |
| Telegraph | 1 |

A breakdown of utility customers appears on Chart I.

From November 1, 1981 through October 31, 1982 the Commission conducted 217 hearings and entered 1,357 orders, including 562 final orders. These concerned utility rates, construction, financing, mergers, acquisitions and consumer complaints. Also during this time, the Commission held 11 public meetings and received 855 formal complaints, 728 of which it closed.

Chart I

## UTILITY CUSTOMERS

## 1981-1982

| | 1981 | 1982 | AVERAGE |
|---|---|---|---|
| INVESTOR OWNED ELECTRIC COMPANIES (AN AVERAGE OF 6 COMPANIES) | | | |
| RESIDENTIAL | 759,367 | 764,590 | 761,978.5 |
| COMMERCIAL | 97,046 | 97,302 | 97,174.0 |
| INDUSTRIAL | 4,168 | 5,847 | 5,007 5 |
| RESALE | 72 | 71 | 71.5 |
| OTHERS | 10,724 | 10,971 | 10,847.5 |
| TOTAL | 871,377 | 878,781 | 875,079.0 |
| RURAL ELECTRIC COOPERATIVES-DISTRIBUTORS (AN AVERAGE OF 27 COMPANIES) | | | |
| RESIDENTIAL | 422,966 | 429,373 | 426,169.5 |
| COMMERCIAL | 23,559 | 24,700 | 24,129.5 |
| INDUSTRIAL | 2,219 | 2,271 | 2,245.0 |
| OTHERS | 2,294 | 1,992 | 2,143.0 |
| TOTAL | 451,038 | 458,336 | 454,687.0 |
| RURAL ELECTRIC COOPERATIVES-GENERATORS (AN AVERAGE OF 2 COMPANIES) | | | |
| RESALE | 25 | 26 | 25.5 |
| GAS COMPANIES AND DISTRICTS (AN AVERAGE OF 33 COMPANIES) | | | |
| RESIDENTIAL | 531,690 | 536,097 | 533,893.5 |
| COMMERCIAL | 47,094 | 47,383 | 47,238.5 |
| INDUSTRIAL | 963 | 973 | 968.0 |
| RESALE | 10 | 11 | 10.5 |
| OTHERS | 1,155 | 1,140 | 1,147.5 |
| TOTAL | 580,912 | 585,604 | 583,258.0 |
| RADIOTELEPHONES (AN AVERAGE OF 21.5 COMPANIES) | | | |
| ONE-WAY SERVICE | 7,029 | 13,366 | 10,197.5 |
| TWO-WAY SERVICE | 1,959 | 792 | 1,375.5 |
| PRIVATE RADIO SERVICE | 262 | 291 | 276.5 |
| TOTAL | 9,250 | 14,449 | 11,849.5 |
| TELEPHONE COMPANIES AND COOPERATIVES (AN AVERAGE OF 22 COMPANIES) | | | |
| RESIDENTIAL | 1,118,048 | 1,103,845 | 1,110,946.5 |
| BUSINESS | 193,772 | 193,306 | 193,539.0 |
| TOTAL | 1,311,820 | 1,297,151 | 1,304,485.5 |
| SEWERS (AN AVERAGE OF 208 COMPANIES) | | | |
| RESIDENTIAL | 102,719 | 104,067 | 103,393.0 |
| COMMERCIAL | 658 | 926 | 792.0 |
| INDUSTRIAL | 23 | 34 | 28.5 |
| TOTAL | 103,418 | 105,046 | 104,232.0 |

## UTILITY CUSTOMERS

| | 1981 | 1982 | AVERAGE |
|---|---|---|---|
| **INVESTOR OWNED WATER COMPANIES (AN AVERAGE OF 44 COMPANIES)** | | | |
| RESIDENTIAL | 76,526 | 77,532 | 77,029.0 |
| COMMERCIAL | 7,906 | 7,958 | 7,932.0 |
| INDUSTRIAL | 96 | 110 | 103.0 |
| RESALE | 14 | 15 | 14.5 |
| OTHERS | 1,117 | 1,161 | 1,139.0 |
| TOTAL | 86,659 | 86,776 | 86,217.5 |
| **WATER DISTRICTS (AN AVERAGE OF 141.5 COMPANIES)** | | | |
| RESIDENTIAL | 159,391 | 169 263 | 164,327.0 |
| COMMERCIAL | 6,085 | 6,227 | 6,156.0 |
| INDUSTRIAL | 189 | 200 | 194.5 |
| RESALE | 89 | 70 | 79.5 |
| OTHERS | 336 | 328 | 332.0 |
| TOTAL | 166,090 | 176,088 | 171,089.0 |
| **WATER ASSOCIATIONS (AN AVERAGE OF 35.5 COMPANIES)** | | | |
| RESIDENTIAL | 21,586 | 22,197 | 22,391.5 |
| COMMERCIAL | 550 | 622 | 586.0 |
| INDUSTRIAL | 12 | 10 | 11.0 |
| RESALE | 2 | 2 | 2.0 |
| OTHERS | 12 | 12 | 12.0 |
| TOTAL | 22,162 | 22,843 | 22,502.5 |

From November 1, 1980 through October 31, 1981 the Commission held 361 hearings and entered 1,528 orders, including 539 final orders. The Commission issued more final orders in the most recent period while holding fewer hearings. This resulted from using a streamlined procedure adopted by the Commission allowing small utilities to avoid expensive hearings when possible, passing the savings on to consumers. The procedure does not foreclose the possibility of a hearing. Also, a public meeting may be held if there is sufficient consumer interest.

Orders issued by the Commission during the last biennium are summarized on Chart II.

**One Commission**

The merger of the Energy Regulatory Commission and the Utility Regulatory Commission on March 1, 1981 has proved to be more efficient and more economical. Annual savings, of about $180,000 including personnel and operating expenses, have been realized. The merger has resulted in more consistent regulation policies and more direct communications between staff and one full-time Commission.

**New Chairman**

On October 13, 1982 Laura L. Murrell, Frankfort, was sworn in as Commission chairman, replacing Marlin M. Volz who resigned to return to the faculty of the University of Louisville School of Law.

Chart II

PUBLIC SERVICE COMMISSION OF KENTUCKY
SUMMARY OF FINAL ORDERS ENTERED
FROM JULY 1, 1981, TO JUNE 30, 1983, INCLUSIVE

| | Investor-Owned Electric | R.E.C.C. | Gas | Radio-telephone & Telephone | Privately-Owned Water Co. | Water Districts & Assocs. | Sewer Utilities | Other | Total Amount | Total No. of Orders |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | |
| Bonds | 183,500,000 | 192,300,000 | 94,000,000 | - | 12,500,000 | 12,939,900 | - | - | 495,239,900 | |
| No. of Orders | 4 | 2 | 2 | - | 2 | 17 | - | - | | 27 |
| Stocks | 127,800,000 | - | 3,660,000 | 10,000,000 | 3,000,000 | - | - | - | 144,460,000 | |
| No. of Orders | 5 | - | 2 | 2 | 1 | - | - | - | | 10 |
| Notes | 76,000,000 | 23,498,000 | 4,800,000 | 39,841,000 | - | 470,000 | 2,230,810 | - | 156,839,810 | |
| No. of Orders | 2 | 19 | 4 | 8 | - | 3 | 8 | - | | 44 |
| Total Securities | 387,300,000 | 225,798,000 | 102,460,000 | 49,841,000 | 15,500,000 | 13,409,900 | 2,230,810 | - | 796,539,710 | |
| No. of Orders | 11 | 21 | 8 | 10 | 3 | 20 | 8 | - | | 81 |
| Revision of Rates Amount Requested | 235,158,481(1) | 128,569,309(2) | 269,730,972(3) | 218,534,848 | 17,573,147(4) | 5,526,060(5) | 1,475,735 | 24,122 | 876,592,674 | |
| Revision of Rates Amount Granted | 142,476,079(1) | 81,678,276(2) | 259,567,984(3) | 75,049,174 | 14,438,621(4) | 3,914,342(5) | 976,710 | 24,122 | 578,125,308 | |
| No. of Orders | 11 | 53 | 302 | 22 | 17 | 98 | 54 | 2 | | 559 |
| Construction | 6,149,184 | 48,132,505 | 383,359 | 38,197,840 | 672,640 | 15,816,469 | 4,028,942 | - | 113,380,939 | |
| No. of Orders | 1 | 19 | 1 | 14 | 1 | 22 | 6 | - | | 64 |
| Franchise (No. of Orders Only) | 12 | 2 | 6 | 5 | - | - | - | - | | 25 |
| Miscellaneous (No. of Orders Only) | 29 | 133 | 152 | 96 | 16 | 57 | 53 | 1 | | 537 |
| Total Number of Final Orders | 64 | 228 | 469 | 147 | 37 | 197 | 121 | 3 | | 1,266 |
| Administrative Orders (No. of Orders Only) | | | | | | | | | | 12 |

(1) Includes $13,182,335 Flow-Through Requested and Granted
(2) Includes $59,993,002 Flow-Through Requested and $39,407,005 Granted
(3) Includes $226,519,255 Purchased Gas Adjustments
(4) Includes ($9,536) Purchased Water Adjustments
(5) Includes $589,048 Purchased Water Adjustments Requested and $541,083 Granted

Formerly in private legal practice, Ms. Murrell served in the Consumer Protection Division of the Kentucky Attorney General's Office from 1970 to 1976. In both capacities, she represented numerous small utilities and consumer interests before the Commission.

**Public Utility Regulatory Policies Act**

In 1978 Congress passed the Public Utility Regulatory Policies Act as part of the National Energy Act. Its objectives include encouraging conservation, promoting efficiency and achieving equitable rates.

State commissions, including the Kentucky Public Service Commission, were directed to study the feasibility of ratemaking standards included in the Act. Following extensive hearings, conferences and the review of documentation, the Commission adopted the standards in a February 1982 order.

With information gathered by Kentucky's four largest privately-owned electric companies on usage patterns of their largest customers, the Commission will develop rates that reflect usage at different times of the day.

The Act also required state commissions to develop a procedure that would permit certain producers of electricity (such as industries, but not utilities) to sell power to electric utilities. In April 1982, Kentucky's Legislative Research Commission approved a regulation establishing such a procedure. The Commission has completed hearings on rates the utilities will pay for this power.

Other activities related to the Public Utility Regulatory Policies Act accomplished by the Commission include the following:

*On January 1, 1981 the Commission finalized a regulation specifying utility advertising expenses allowable for rate-making purposes. Advertising expenses classified as promotional, political or institutional are excluded. The criterion: Does the expenditure produce a material that benefits the ratepayers?

Charts III and IV outline the net income of investor-owned electric utilities. Charts V and VI outline revenues and expenses of rural electric cooperative generators, and charts VII and VIII outline the net income of rural electric cooperative distributors.

*On January 7, 1981 the Commission adopted a regulation prohibiting master metering by electric utilities. Electric utilities must now meter new buildings individually to encourage conservation.

*On February 3, 1981 a regulation was adopted by the Commission requiring electric utilities to notify consumers of rate filings, including a statement of explanation.

*The Commission rejected lifeline rates after holding public hearings and studying the matter thoroughly. A lifeline rate is a rate to cover essential needs and may be less that the cost of providing electric service.

Chart III

## INVESTOR OWNED ELECTRIC COMPANIES
## 1981-1982

| REVENUES AND OTHER INCOME | 1981 | % | 1982 | % | TOTALS | % |
|---|---|---|---|---|---|---|
| RESIDENTIAL | 347,416,591.73 | 32.8 | 381,008,748.69 | 33.3 | 728,425,340.42 | 33.0 |
| INDUSTRIAL | 266,742,808.00 | 25.1 | 334,414,277.15 | 29.2 | 601,157,085.15 | 27.3 |
| COMMERCIAL | 223,939,818.73 | 21.1 | 202,171,405.71 | 17.6 | 426,111,224.44 | 19.3 |
| SALES FOR RESALE | 138,945,838.00 | 13.1 | 126,491,250.00 | 11.0 | 265,437,088.00 | 12.0 |
| OTHER SALES | 71,797,894.88 | 6.8 | 81,536,777.38 | 7.1 | 153,334,672.26 | 7.0 |
| OTHER INCOME | 5,203,367.66 | .5 | 12,806,992.04 | 1.1 | 18,010,359.70 | .8 |
| OTHER OPERATING REVENUES | 6,359,660,47 | .6 | 7,507,405.72 | .7 | 13,867,066,19 | .6 |
| TOTALS | 1,060,405,979.47 | | 1,145,936,856.69 | | 2,206,342,836.16 | |

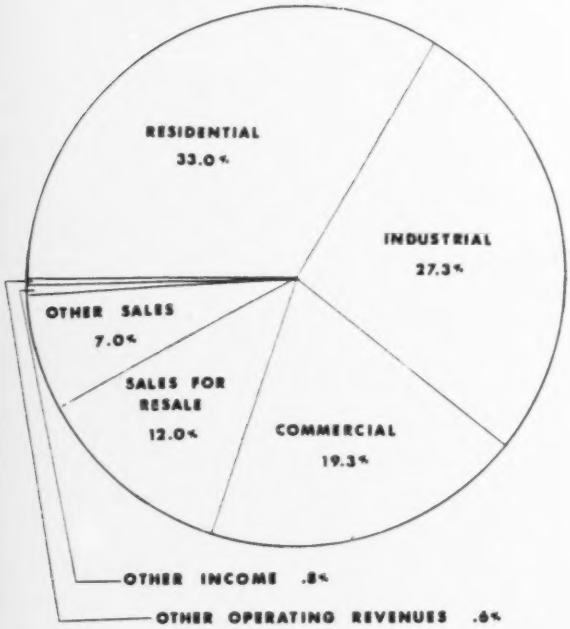
| EXPENSES | 1981 | % | 1982 | % | TOTALS | % |
|---|---|---|---|---|---|---|
| POWER PRODUCTION | 396,899,988.00 | 41.2 | 437,827,715.00 | 42.4 | 834,727,703.00 | 41.8 |
| PURCHASED AND INTERCHANGE POWER | 167,905,971.74 | 17.4 | 147,318,784.77 | 14.3 | 315,224,756.51 | 15.8 |
| OTHER OPERATING AND MAINTENANCE EXPENSE | 119,274,056.49 | 12.3 | 134,177,437.86 | 13.0 | 253,451,494.35 | 12.7 |
| INTEREST EXPENSE | 103,857,622.50 | 10.8 | 111,790,620.43 | 10.8 | 215,648,242.93 | 10.8 |
| TAXES | 98,381,988.75 | 10.2 | 111,621,340.29 | 10.8 | 210,003,329.04 | 10.5 |
| DEPRECIATION/ AMORTIZATION EXPENSE | 78,990,624.03 | 8.2 | 88,310,347.60 | 8.5 | 167,300,971.63 | 8.4 |
| OTHER DEDUCTIONS | (1,294,609.61) | (.1) | 1,968,353.37 | .2 | 673,743.76 | .0 |
| TOTALS | 964,015,641.90 | | 1,033,014,599.32 | | 1,997,030,241.22 | |

| NET INCOME | 1981 | 1982 | TOTAL |
|---|---|---|---|
| | 96,390,337.57 | 112,922,257.37 | 209,312,594.94 |

NOTE: THESE FIGURES COVER THE PERIOD FROM JANUARY 1,1981 TO DECEMBER 31,1982.

# INVESTOR OWNED ELECTRIC UTILITIES

## REVENUE AND OTHER INCOME




## EXPENSES

NOTE: OTHER DEDUCTIONS ACCOUNT FOR LESS THAN .1%

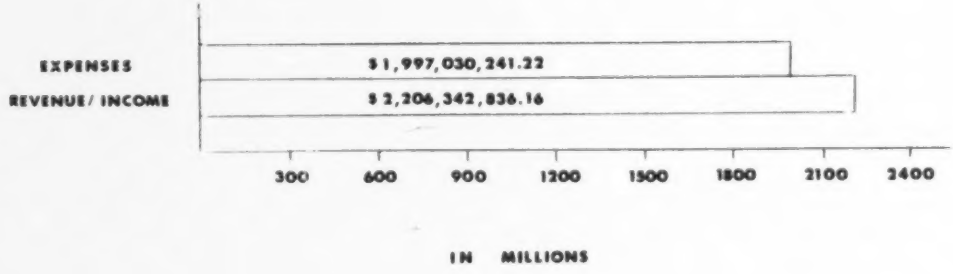


Chart V

# RURAL ELECTRIC COOPERATIVES
## GENERATORS
## 1981-1982

### REVENUES AND INCOME

| | 1981 | % | 1982 | % | TOTALS | % |
|---|---|---|---|---|---|---|
| SALES FOR RESALE | 386,954,225.00 | 99.2 | 387,011,654.00 | 99.1 | 773,965,879.00 | 99.1 |
| OTHER INCOME | 2,464,177.00 | .6 | 2,649,499.00 | .7 | 5,113,676.00 | .7 |
| OTHER OPERATING REVENUES | 843,124.00 | .2 | 775,455.00 | .2 | 1,618,579.00 | .2 |
| TOTAL | 390,261,526.00 | | 390,436,608.00 | | 780,698,134.00 | |

### OPERATING EXPENSE

| | 1981 | % | 1982 | % | TOTALS | % |
|---|---|---|---|---|---|---|
| PRODUCTION EXPENSE | 198,703,330.00 | 52.4 | 193,593,889.00 | 49.9 | 392,297,219.00 | 51.1 |
| INTEREST EXPENSE | 76,840,265.00 | 20.3 | 87,423,764.00 | 22.5 | 164,264,029.00 | 21.4 |
| PURCHASED AND INTER-CHANGE POWER | 49,559,251.00 | 13.1 | 46,480,252.00 | 12.0 | 96,039,503.00 | 12.5 |
| DEPRECIATION AND AMORTIZATION EXPENSE | 33,008,807.00 | 8.7 | 35,325,705.00 | 9.1 | 68,334,512.00 | 8.9 |
| OTHER OPERATING AND MAINTENANCE EXPENSE | 17,287,223.00 | 4.6 | 20,451,834.00 | 5.3 | 37,739,057.00 | 4.9 |
| TAXES | 3,765,581.00 | 1.0 | 4,625,394.00 | 1.2 | 8,390,975.00 | 1.1 |
| OTHER DEDUCTIONS | 104,910.00 | .0 | 89,016.00 | .0 | 193,926.00 | .0 |
| TOTAL | 379,269,367.00 | | 387,989,854.00 | | 767,259,221.00 | |

### NET INCOME

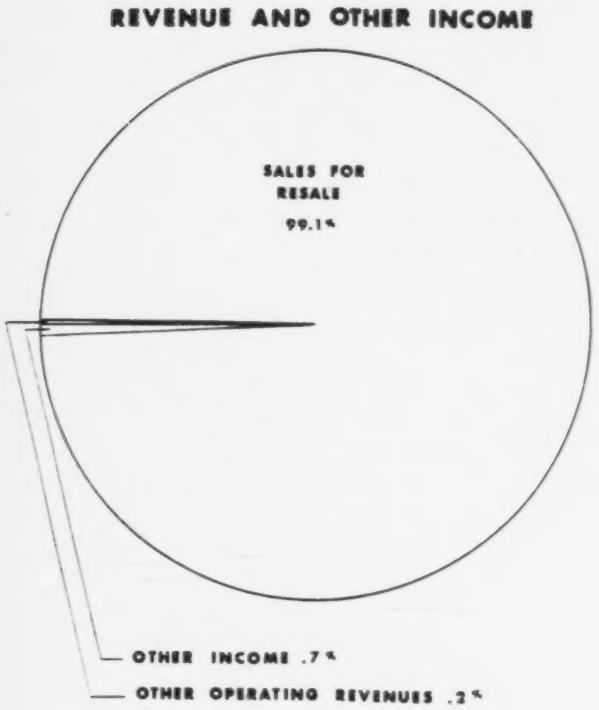
| 1981 | 1982 | TOTAL |
|---|---|---|
| 10,992,159.00 | 2,446,754.00 | 13,438,913.00 |

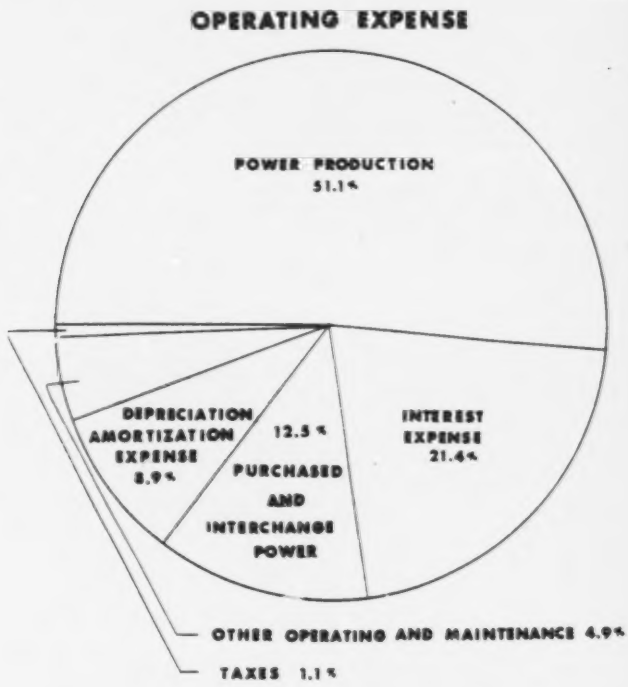
NOTE: THESE FIGURES COVER THE PERIOD FROM JANUARY 1,1981 TO DECEMBER 31,1982.
PERCENTAGES MAY NOT EQUAL 100 DUE TO ROUNDING.

# RURAL ELECTRIC COOPERATIVES

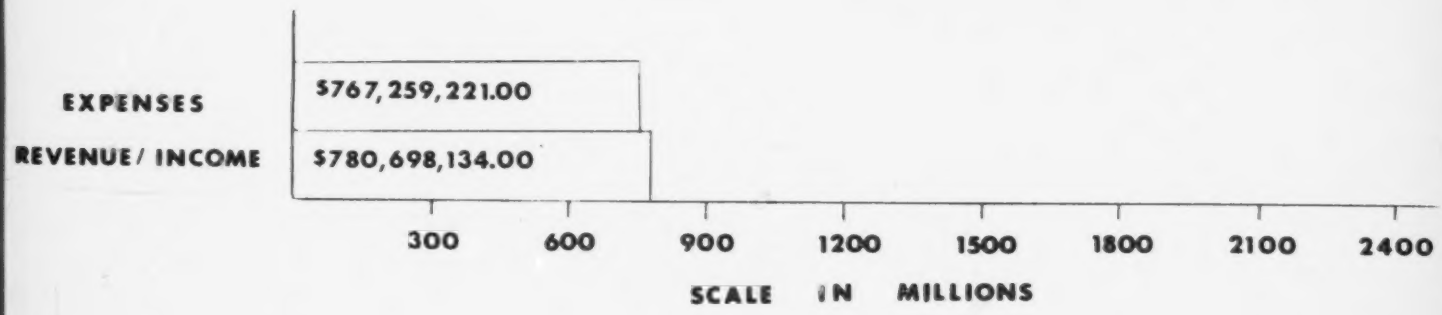
Chart VI

# GENERATORS




NOTE: OTHER DEDUCTIONS ACCOUNT FOR LESS THAN .1%



RURAL ELECTRIC COOPERATIVES
DISTRIBUTORS
1981-1982

Chart VII

REVENUES AND INCOME

| | 1981 | % | 1982 | % | TOTALS | % |
|---|---|---|---|---|---|---|
| RESIDENTIAL | 238,681,581.23 | 45.2 | 267,059,050.14 | 47.8 | 505,740,631.37 | 46.6 |
| INDUSTRIAL | 245,883,363.63 | 46.6 | 245,531,158.63 | 44.0 | 491,414,522.26 | 45.2 |
| COMMERCIAL | 23,125,294.25 | 4.4 | 26,528,003.61 | 4.7 | 49,653,297.86 | 4.6 |
| OTHER INCOME | 12,327,291.98 | 2.3 | 10,742,391.79 | 1.9 | 23,069,683.77 | 2.1 |
| OTHER OPERATING REVENUE | 4,449,171.12 | .8 | 5,283,135.25 | 1.0 | 9,732,306.37 | .9 |
| OTHER SALES | 3,178,998.76 | .6 | 3,384,787.52 | .6 | 6,563,786.28 | .6 |
| TOTALS | 527,645,700.97 | | 558,528,526.94 | | 1,086,174,227.91 | |

OPERATING EXPENSE

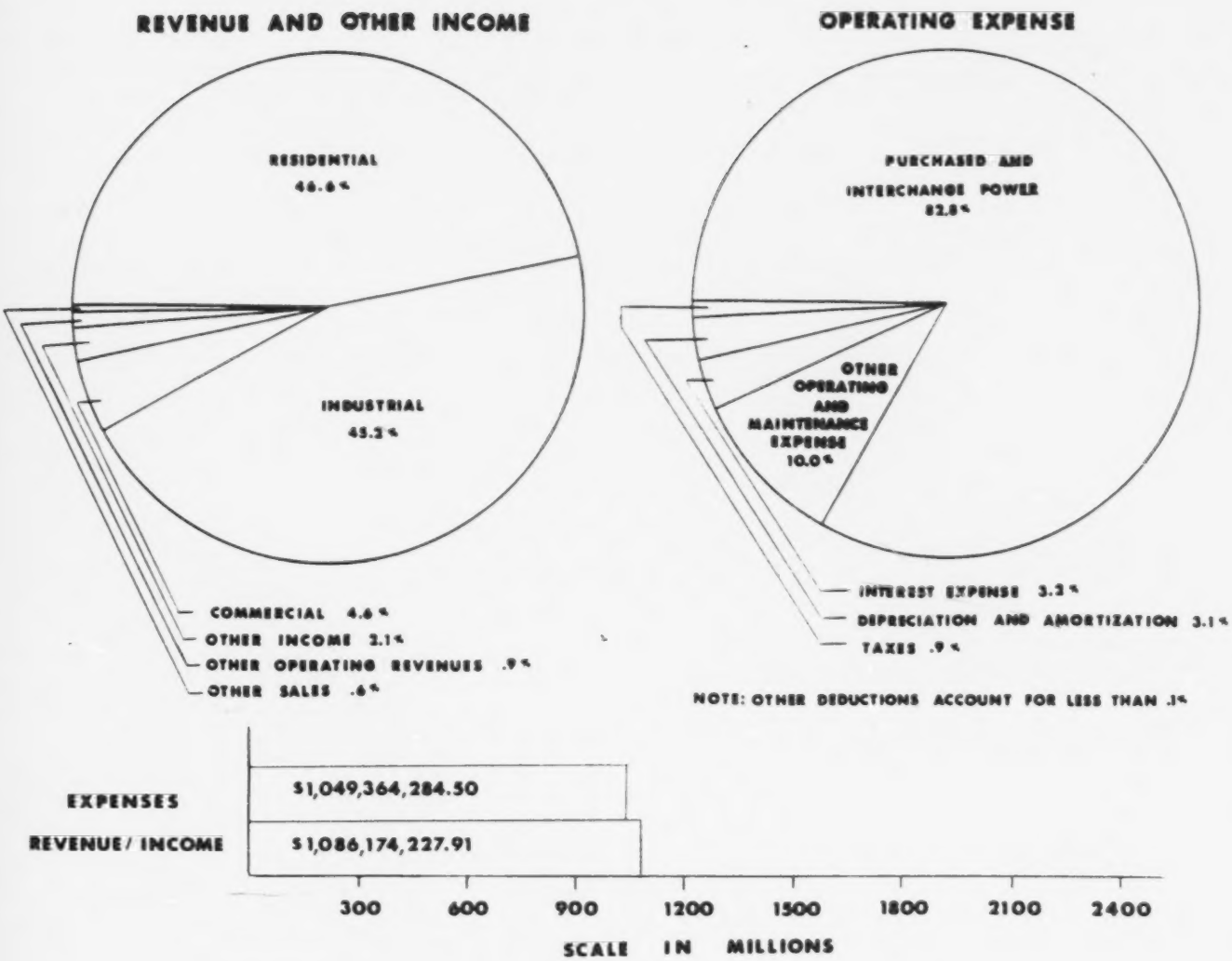
| | 1981 | % | 1982 | % | TOTALS | % |
|---|---|---|---|---|---|---|
| PURCHASED AND INTERCHANGE POWER | 422,332,976.73 | 83.1 | 446,663,006.68 | 82.6 | 868,995,983.41 | 82.8 |
| OTHER OPERATING AND MAINTENANCE EXPENSE | 50,127,531.23 | 10.0 | 54,792,278.60 | 10.1 | 104,919,809.83 | 10.0 |
| INTEREST EXPENSE | 15,773,725.90 | 3.1 | 17,782,866.80 | 3.3 | 33,556,592.70 | 3.2 |
| DEPRECIATION AND AMORTIZATION EXPENSE | 15,392,894.50 | 3.0 | 16,575,119.97 | 3.1 | 31,968,014.47 | 3.1 |
| TAXES | 4,565,751.85 | .9 | 5,084,189.52 | .9 | 9,649,941.37 | .9 |
| OTHER DEDUCTIONS | 183,780.52 | .0 | 90,162.20 | .0 | 273,942.72 | .0 |
| TOTALS | 508,376,660.73 | | 540,987,623.77 | | 1,049,364,284.50 | |

NET INCOME

| 1981 | 1982 | TOTALS |
|---|---|---|
| 19,269,040.24 | 17,540,903.17 | 36,809,943.41 |

NOTE: THESE FIGURES COVER THE PERIOD FROM JANUARY 1,1981 TO DECEMBER 31,1982.
PERCENTAGES MAY NOT EQUAL 100 DUE TO ROUNDING.

# RURAL ELECTRIC COOPERATIVES
# DISTRIBUTORS



The Commission rejected lifeline rates because there is no assurance that the target population would be assisted, the savings are minimal, and the rates are discriminatory. In its order, the Commission stated that this matter might be best handled by the General Assembly.

**Statewide Planning**

Of major concern to the state's electric utilities is the Statewide Planning of Electric Generation and Transmission Facilities, a proceeding initiated by the Kentucky Commission.

The Commission is studying the feasibility of statewide planning of facilities, power-pooling, and investments in conservation. The result, according to the Commission, will be lesser incidence of rate increases requested by electric utilities, accomplished by limiting the number of power plants constructed. The Commission held the first hearing on statewide planning on November 29, 1982.

**Residential Conservation Service**

The Commission completed a plan to implement the Residential Conservation Service Program and received tentative approval of the plan from the Federal Energy Regulatory Commission.

The plan, which will require utilities to make home energy audits and to help arrange necessary financing, went into effect in late 1983.

## Natural Gas

The rising cost of natural gas continues to create problems for consumers and utilities. Rates have skyrocketed since the Natural Gas Policy Act was passed in 1979. While the Act has been successful in creating ample supplies of gas (there is, in fact, now a surplus), rates have not decreased because of contracts between the producers and the pipeline companies.

The Commission invited Kentucky's Congressional delegation to hearings in October 1982 to share information on the effects of the Natural Gas Policy Act and rising costs. The Commission has urged the legislators to make changes in the Act so pipeline companies will not be restricted to buying expensive gas.

The Commission is also examining the feasibility of more active intervention in gas cases before the Federal Energy Regulatory Commission, intervening in several cases in the last biennium.

Charts IX and X outline the incomes of Kentucky's gas companies and districts.

## Changes in Telecommunications

The advent of competition has brought about sweeping changes in the communications industry. This presents challenges as the effects of deregulation at the federal level are considered by the Kentucky Commission. Some of these developments have been reflected in recent telephone rate proceedings: changes in depreciation rates which recognize advancing technology, and the expensing of station equipment which results in higher revenue requirements. Deregulation of terminal equipment is also expected to have a considerable impact.

Chart IX

## GAS COMPANIES AND GAS DISTRICTS
## 1981-1982

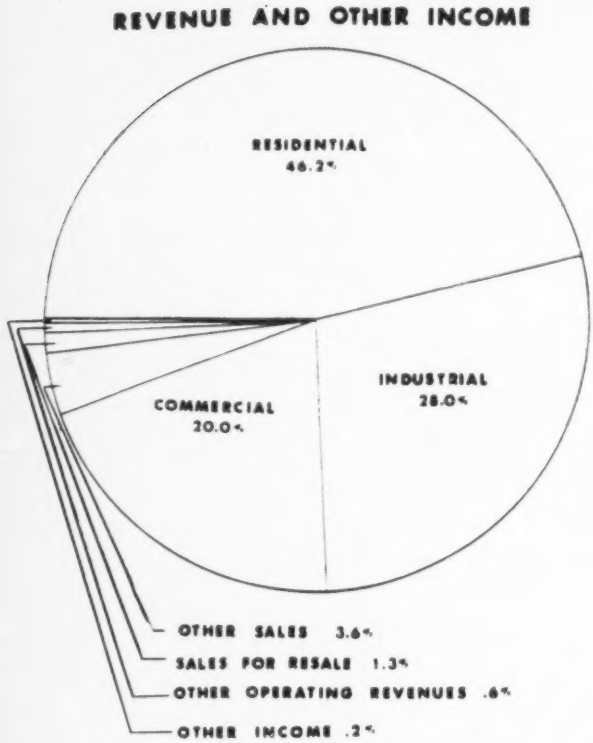
| REVENUES AND OTHER INCOME | 1981 | % | 1982 | % | TOTALS | % |
|---|---|---|---|---|---|---|
| RESIDENTIAL | 227,168,913.97 | 45.5 | 280,306,352.26 | 46.9 | 507,475,266.23 | 46.2 |
| INDUSTRIAL | 144,387,530.49 | 28.9 | 163,317,090.00 | 27.3 | 307,704,620.49 | 28.0 |
| COMMERCIAL | 97,009,198.98 | 19.4 | 122,397,074.76 | 20.4 | 219,406,273.74 | 20.0 |
| OTHER SALES | 17,533,037.00 | 3.5 | 22,037,228.00 | 3.7 | 39,570,265.00 | 3.6 |
| SALES FOR RESALE | 8,661,530.00 | 1.7 | 5,581,643.00 | .9 | 14,243,173.00 | 1.3 |
| OTHER OPERATING REVENUES | 3,497,578.17 | .7 | 3,527,740.95 | .6 | 7,025,319.12 | .6 |
| OTHER INCOME | 932,505.43 | .2 | 1,081,429.52 | .2 | 2,013,934.95 | .2 |
| TOTAL | 499,190,294.04 | | 598,248,558.49 | | 1,097,438,852.53 | |

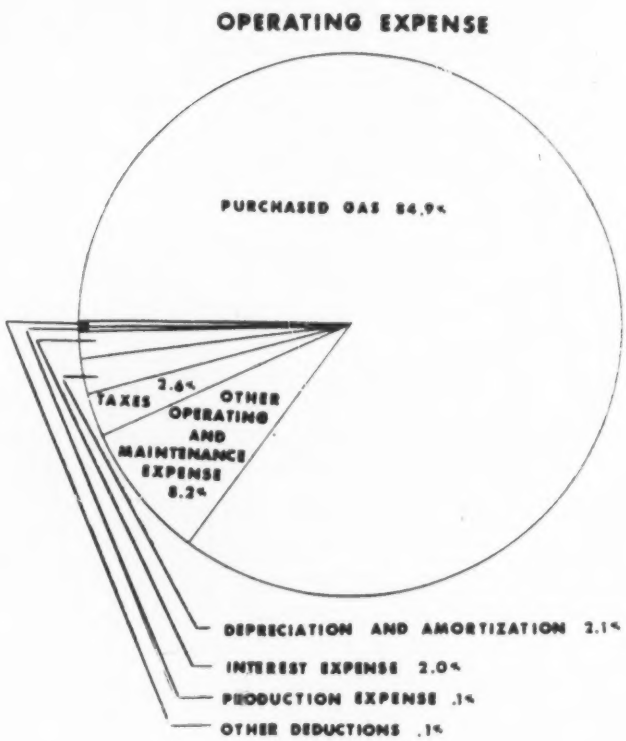
| OPERATING EXPENSE | 1981 | % | 1982 | % | TOTALS | % |
|---|---|---|---|---|---|---|
| PURCHASED GAS | 417,954,610.39 | 84.8 | 496,067,931.78 | 84.9 | 914,022,542.17 | 84.9 |
| OTHER OPERATING AND MAINTENANCE EXPENSE | 43,263,248.41 | 8.8 | 45,487,832.64 | 7.8 | 88,751,081.05 | 8.2 |
| TAXES | 9,471,545.09 | 1.9 | 18,262,719.92 | 3.1 | 27,734,265.01 | 2.6 |
| DEPRECIATION AND AMORTIZATION EXPENSE | 10,901,237.16 | 2.2 | 11,667,765.15 | 2.0 | 22,569,002.31 | 2.1 |
| INTEREST EXPENSE | 10,461,314.27 | 2.1 | 11,595,259.61 | 2.0 | 22,056,573.88 | 2.0 |
| PRODUCTION EXPENSE | 275,931.00 | .1 | 320,103.00 | .1 | 596,034.00 | .1 |
| OTHER DEDUCTIONS | 284,626.00 | .1 | 357,476.00 | .1 | 642,102.00 | .1 |
| TOTAL | 492,612,512.32 | | 583,759,088.10 | | 1,076,371,600.42 | |

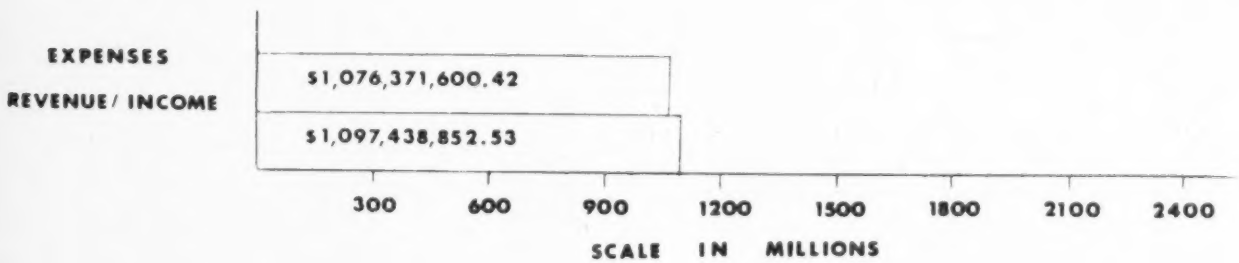
| NET INCOME | 1981 | 1982 | TOTAL |
|---|---|---|---|
| | 6,577,781.72 | 14,489,470.39 | 21,067,252.11 |

NOTE: THESE FIGURES COVER THE PERIOD FROM JANUARY 1,1981 to DECEMBER 31,1982.
PERCENTAGES MAY NOT EQUAL 100 DUE TO ROUNDING.

# GAS COMPANIES AND GAS DISTRICTS



The Commission has intervened in the settlement between American Telephone & Telegraph and the U.S. Justice Department to protect Kentucky telephone consumers from dramatic rate increases.

By an order entered October 31, 1980 the Commission adopted guidelines to be used in cases concerning requests for extended area or toll-free telephone service between two or more communities. These include a series of procedural steps involving petitions, traffic and cost studies, hearings and surveys.

Following generic hearings, the Commission entered an order on February 21, 1980 directing all telephone utilities to observe the integrity of established exchange boundaries, unless granted a deviation for good cause, thereby avoiding inequities. Other provisions of the order enable the Commission to develop a record of existing cross-boundary service and move toward its elimination.

Charts XI and XII outline the net income of radio-telephone companies, and Charts XIII and XIV address rural electric cooperatives.

**Water and Sewer**

One of the greatest challenges facing the Commission is the regulation of water and sewer utilities.

In an effort to assist these usually small utilities, the Commission placed the small utility procedure regulation (see page 2) into effect in January 1982.

Chart XI

# RADIO-TELEPHONE
## 1981-1982

REVENUE AND OTHER INCOME

| | 1981 | % | 1982 | % | TOTAL | % |
|---|---|---|---|---|---|---|
| ONE-WAY SERVICE | 2,259,086.34 | 54.1 | 3,254,978.64 | 66.5 | 5,514,064.98 | 60.8 |
| OTHER INCOME | 984,392.92 | 23.6 | 1,034,538.52 | 21.1 | 2,018,931.44 | 22.3 |
| TWO-WAY SERVICE | 834,302.55 | 20.0 | 473,143.27 | 9.7 | 1,307,445.82 | 14.4 |
| PRIVATE RADIO SERVICE | 47,377.00 | 1.1 | 101,706.00 | 2.1 | 149,083.00 | 1.6 |
| OTHER OPERATING REVENUE | 48,201.00 | 1.2 | 31,368.00 | .6 | 79,569.00 | .9 |
| TOTAL | 4,173,359.81 | | 4,895,734.43 | | 9,069,094.24 | |

OPERATING EXPENSES

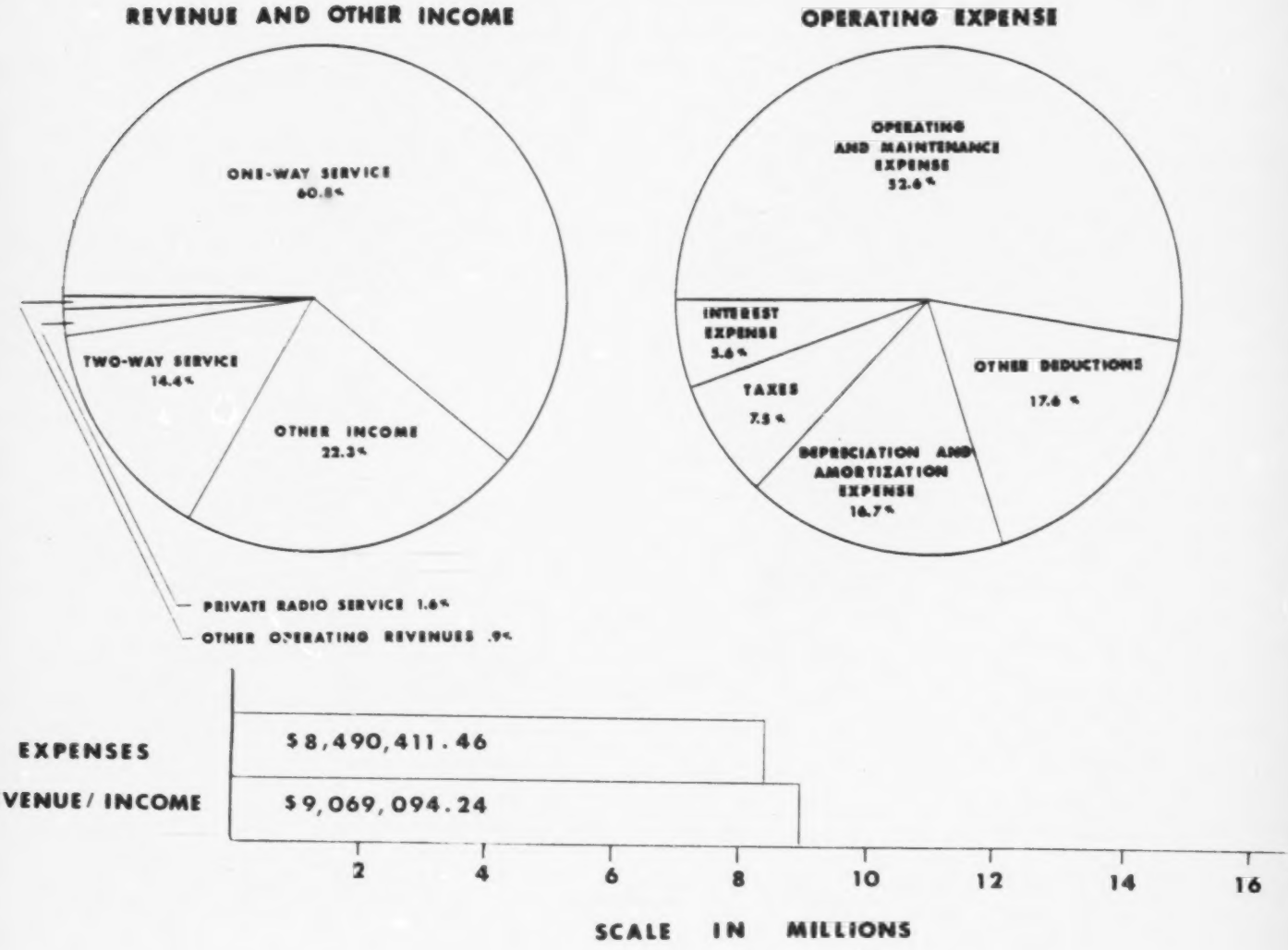
| | 1981 | % | 1982 | % | TOTAL | % |
|---|---|---|---|---|---|---|
| OPERATING AND MAINTENANCE EXPENSE | 1,963,564.99 | 50.6 | 2,497,934.46 | 54.2 | 4,461,499.45 | 52.6 |
| OTHER DEDUCTIONS | 778,733.49 | 20.0 | 718,647.20 | 15.6 | 1,497,380.69 | 17.6 |
| DEPRECIATION AND AMORTIZATION EXPENSE | 614,799.06 | 15.8 | 806,326.71 | 17.5 | 1,421,125.77 | 16.7 |
| TAXES | 307,226.53 | 7.9 | 329,751.73 | 7.2 | 636,978.26 | 7.5 |
| INTEREST EXPENSE | 220,957.26 | 5.7 | 252,470.03 | 5.5 | 473,427.29 | 5.6 |
| TOTAL | 3,885,281.33 | | 4,605,130.13 | | 8,490,411.46 | |

NET INCOME

| 1981 | 1982 | TOTAL |
|---|---|---|
| 288,078.48 | 290,604.30 | 578,682.78 |

NOTE: THESE FIGURES COVER THE PERIOD FROM JANUARY 1,1981 TO DECEMBER 31,1982.
PERCENTAGES MAY NOT EQUAL 100 DUE TO ROUNDING.

# RADIO-TELEPHONE



TELEPHONE COMPANIES

RURAL TELEPHONE COOPERATIVES

1981-1982

Chart XIII

REVENUES AND OTHER INCOME

| | 1981 | % | 1982 | % | TOTAL | % |
|---|---|---|---|---|---|---|
| LOCAL SERVICE | 410,346,492.41 | 49.4 | 468,819,900.33 | 51.4 | 879,166,392.74 | 50.5 |
| TOLL SERVICE | 388,923,530.22 | 46.9 | 407,513,860.57 | 44.7 | 796,437,390.79 | 45.7 |
| MISCELLANEOUS REVENUES | 26,805,286.22 | 3.2 | 30,450,316.67 | 3.3 | 57,255,602.89 | 3.3 |
| OTHER INCOME | 3,871,910.72 | .5 | 4,774,699.23 | .5 | 8,646,609.95 | .5 |
| TOTAL | 829,947,219.57 | | 911,558,776.80 | | 1,741,505,996.37 | |

OPERATING EXPENSES

| | 1981 | % | 1982 | % | TOTAL | % |
|---|---|---|---|---|---|---|
| OTHER OPERATING EXPENSES | 412,083,919.00 | 55.9 | 445,377,521.52 | 55.9 | 857,461,440.52 | 55.9 |
| DEPRECIATION AND AMORTIZATION EXPENSE | 138,123,622.83 | 18.7 | 149,459,233.04 | 18.8 | 287,582,855.87 | 18.8 |
| TAXES | 111,352,273.57 | 15.1 | 126,940,983.22 | 15.9 | 238,293,256.79 | 15.5 |
| INTEREST EXPENSE | 66,315,576.94 | 9.0 | 65,977,636.49 | 8.3 | 132,293,213.43 | 8.6 |
| UNCOLLECTED REVENUES | 8,444,918.65 | 1.2 | 7,916,886.59 | 1.0 | 16,361,805.24 | 1.1 |
| OTHER DEDUCTIONS | 586,823.70 | .1 | 837,539.35 | .1 | 1,424,363.05 | .1 |
| TOTAL | 736,907,134.69 | | 796,509,800.21 | | 1,533,416,934.90 | |

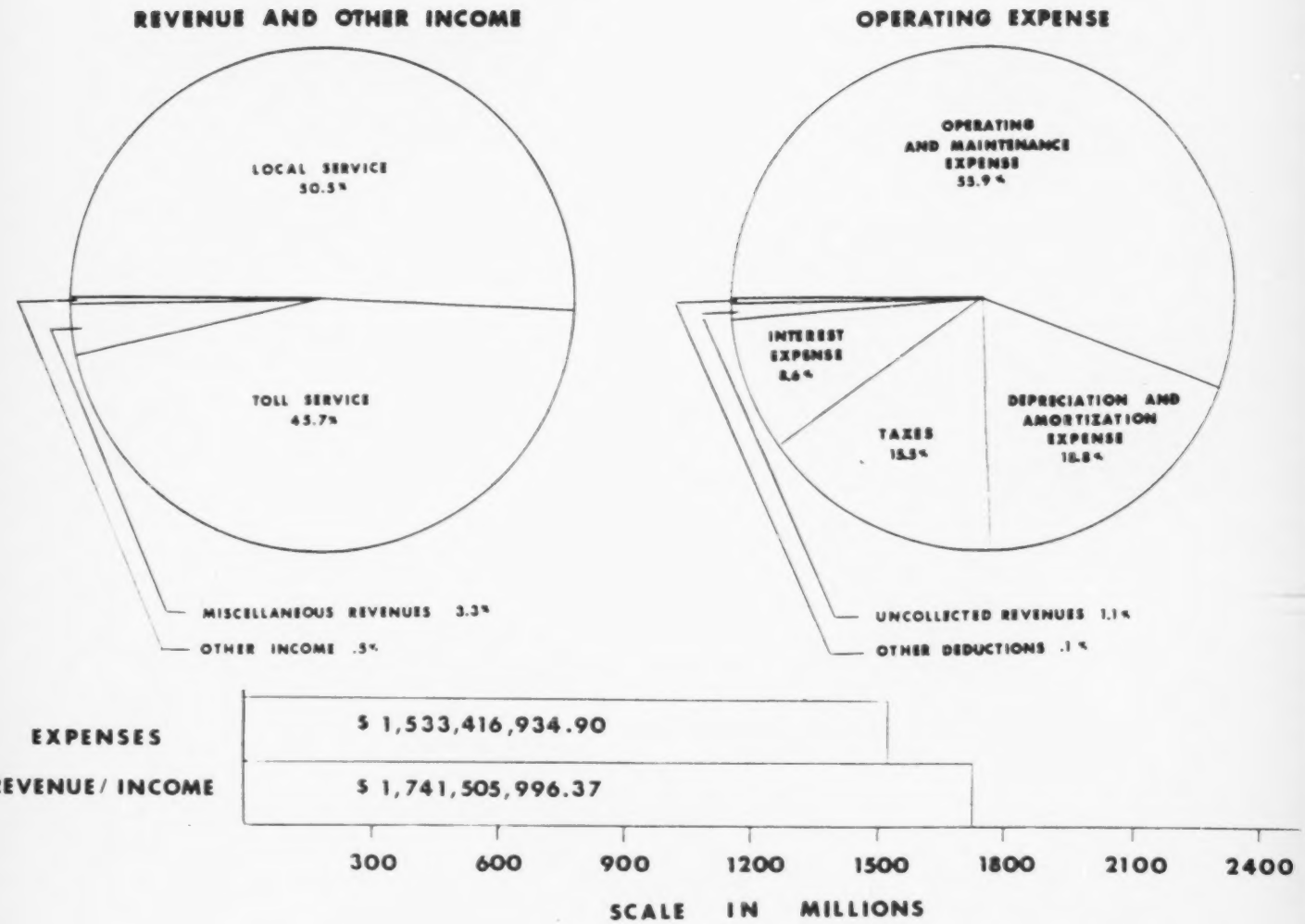
NET INCOME

| 1981 | 1982 | TOTAL |
|---|---|---|
| 93,040,084.88 | 115,048,976.59 | 208,089,061.47 |

NOTE: THESE FIGURES COVER THE PERIOD FROM JANUARY 1,1981 TO DECEMBER 31,1982.
PERCENTAGES MAY NOT EQUAL 100 DUE TO ROUNDING.

Chart XIV

# TELEPHONE COMPANIES AND RURAL COOPERATIVES



Also, a regulation concerning purchased water became effective in September 1981. This regulation permits some utilities, usually small water districts and water associations, to offset higher costs of purchased water by means of a tariff provision, and the filing of financial and purchase/sales information. Through this regulation, a water utility may avoid the expenses associated with a general rate case, to the benefit of its consumers. Public notice is required, line loss is considered and information is analyzed to determine whether all or a portion of the increase can be absorbed.

Charts XV through XVIII outline incomes of investor-owned water companies and water districts and associations. Charts XIX and XX survey sewer companies and districts.

**Other Regulatory Changes**

Governor John Y. Brown, Jr., at the Commission's request, signed an emergency regulation in the winter of 1982 allowing consumers more time to pay winter heating bills without having service discontinued. The regulation became permanent when it was approved by the Legislative Research Commission in August 1982.

By order entered August 26, 1981, the Commission asserted jurisdiction over the rates, terms and conditions applicable to providing pole attachment space to cable television system operators by telephone utilities. In these cases, the Commission considers both the interests of cable television subscribers, as well as the interests of utility consumers. Assuming this jurisdiction is expected to increase the workload of the Commission and staff.

INVESTOR OWNED WATER COMPANIES

1981-1982

Chart XV

| REVENUES AND OTHER INCOME | 1981 | % | 1982 | % | TOTAL | % |
|---|---|---|---|---|---|---|
| RESIDENTIAL | 8,165,047.83 | 52.9 | 9,584,991.52 | 53.9 | 17,750,039.35 | 53.4 |
| COMMERCIAL | 3,995,869.46 | 25.9 | 4,631,960.54 | 26.0 | 8,627,830.00 | 26.0 |
| OTHER SALES | 1,732,218.93 | 11.2 | 1,891,373.46 | 10.6 | 3,623,592.39 | 10.9 |
| INDUSTRIAL | 816,707.54 | 5.3 | 789,749.99 | 4.4 | 1,606,457.53 | 4.8 |
| SALES FOR RESALE | 444,999.21 | 2.9 | 578,013.09 | 3.3 | 1,023,012.30 | 3.1 |
| OTHER OPERATING REVENUE | 204,557.27 | 1.3 | 215,109.19 | 1.2 | 419,666.46 | 1.3 |
| OTHER INCOME | 68,674.70 | .5 | 101,182.66 | .6 | 169,857.36 | .5 |
| TOTAL | 15,428,074.94 | | 17,792,380.45 | | 33,220,455.39 | |

| OPERATING EXPENSES | 1981 | % | 1982 | % | TOTAL | % |
|---|---|---|---|---|---|---|
| OTHER OPERATING AND MAINTENANCE EXPENSE | 4,653,513.66 | 34.1 | 5,101,321.19 | 32.3 | 9,754,834.85 | 33.2 |
| PRODUCTION EXPENSE | 3,430,877.46 | 25.2 | 3,757,210.44 | 23.8 | 7,188,087.90 | 24.4 |
| INTEREST EXPENSE | 2,798,803.55 | 20.5 | 3,390,229.32 | 21.5 | 6,189,032.87 | 21.0 |
| TAXES | 1,203,824.01 | 8.8 | 1,885,555.25 | 11.9 | 3,089,379.26 | 10.5 |
| DEPRECIATION AND AMORTIZATION EXPENSE | 1,208,668.00 | 8.9 | 1,330,638.89 | 8.4 | 2,538,306.89 | 8.6 |
| PURCHASED WATER EXPENSE | 301,191.84 | 2.2 | 279,113.16 | 1.8 | 580,305.00 | 2.0 |
| OTHER DEDUCTIONS | 44,196.53 | .3 | 43,033.60 | .3 | 87,230.13 | .3 |
| TOTAL | 13,640,075.05 | | 15,787,101.85 | | 29,427,176.90 | |

| NET INCOME | 1981 | 1982 | TOTAL |
|---|---|---|---|
| | 1,787,999.89 | 2,005,278.60 | 3,793,278.49 |

NOTE: THESE FIGURES COVER THE PERIOD FROM JANUARY 1,1981 TO DECEMBER 31,1982.

# INVESTOR-OWNED WATER COMPANIES

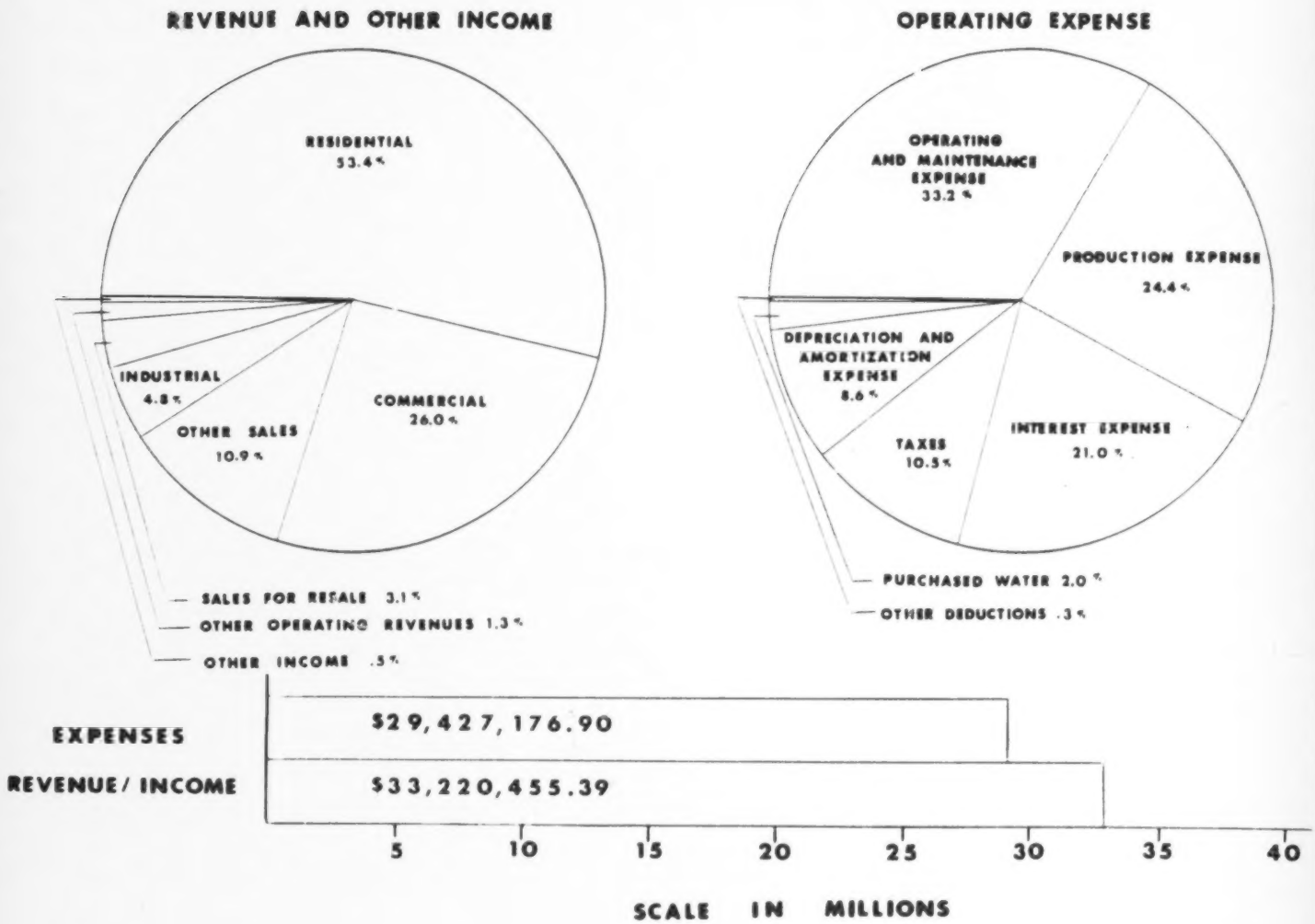


Chart XVII

# WATER DISTRICTS AND ASSOCIATIONS
## 1981-1982

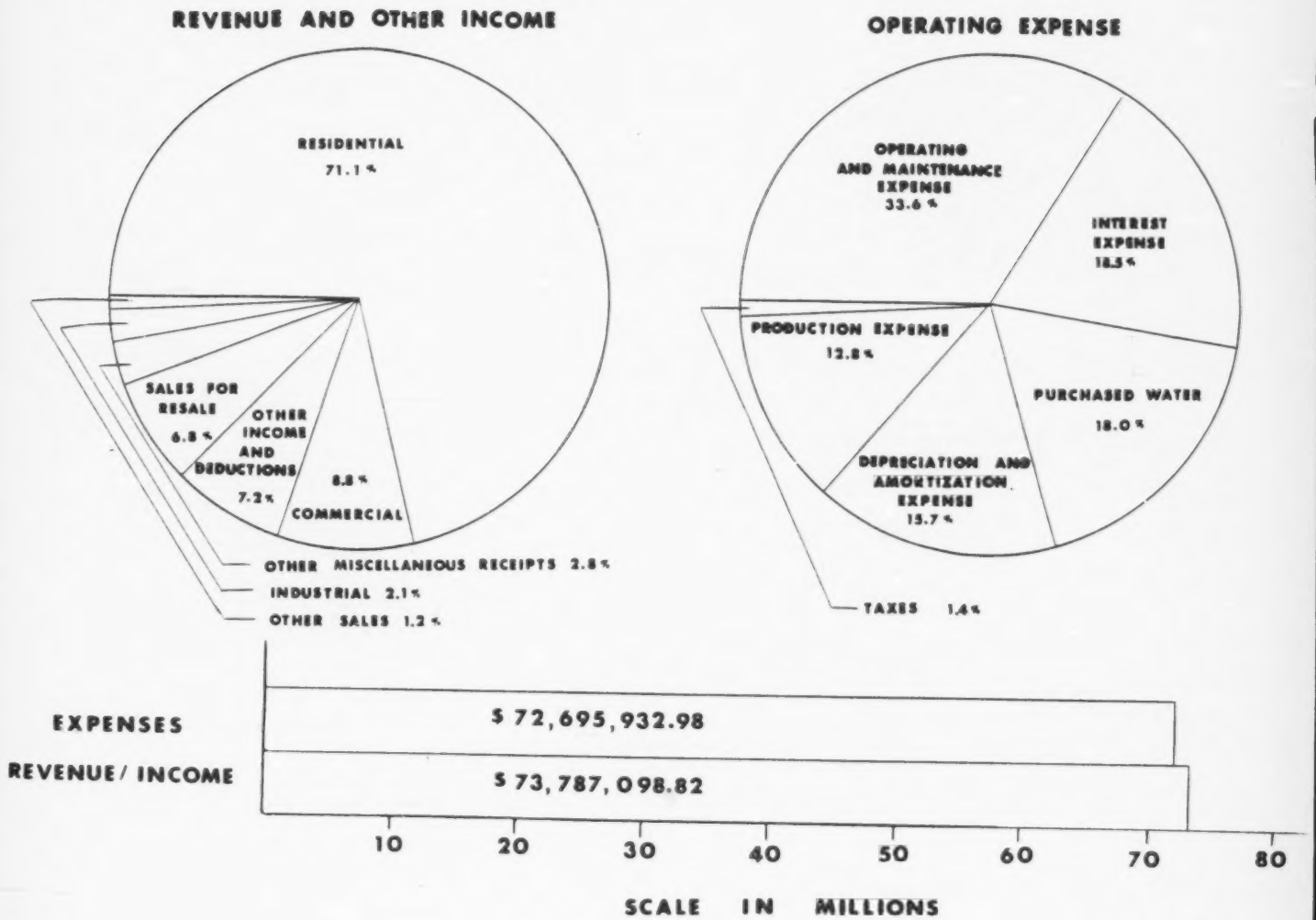
| REVENUE AND OTHER INCOME | 1981 | % | 1982 | % | TOTAL | % |
|---|---|---|---|---|---|---|
| RESIDENTIAL | 24,928,417.72 | 72.1 | 27,563,237.47 | 70.3 | 52,491,655.19 | 71.1 |
| COMMERCIAL | 3,046,476.37 | 8.8 | 3,453,057.47 | 8.8 | 6,499,533.84 | 8.8 |
| OTHER INCOME AND DEDUCTIONS | 2,168,352.86 | 6.3 | 3,118,177.26 | 7.9 | 5,286,530.12 | 7.2 |
| SALES FOR RESALE | 2,328,553.82 | 6.7 | 2,706,861.28 | 6.9 | 5,035,415.10 | 6.8 |
| OTHER MISCELLANEOUS RECEIPTS | 925,051.98 | 2.7 | 1,086,234.82 | 2.8 | 2,011,286.80 | 2.8 |
| INDUSTRIAL | 843,258.40 | 2.4 | 733,307.54 | 1.9 | 1,576,565.94 | 2.1 |
| OTHER SALES | 331,573.89 | 1.0 | 554,537.94 | 1.4 | 886,111.83 | 1.2 |
| TOTAL | 34,571,685.04 | | 39,215,413.78 | | 73,787,098.82 | |

| OPERATING EXPENSES | 1981 | % | 1982 | % | TOTAL | % |
|---|---|---|---|---|---|---|
| OPERATING AND MAINTENANCE EXPENSE | 11,413,838.78 | 33.8 | 12,989,833.58 | 33.4 | 24,403,672.36 | 33.6 |
| INTEREST EXPENSE | 5,978,828.58 | 17.7 | 7,509,282.69 | 19.3 | 13,488,111.27 | 18.5 |
| PURCHASED WATER | 6,009,638.12 | 17.8 | 7,109,405.06 | 18.3 | 13,119,043.18 | 18.0 |
| DEPRECIATION AND AMORTIZATION EXPENSE | 5,448,683.56 | 16.1 | 5,941,084.45 | 15.3 | 11,389,768.01 | 15.7 |
| PRODUCTION EXPENSE | 4,492,268.43 | 13.3 | 4,787,712.80 | 12.3 | 9,279,981.23 | 12.8 |
| TAXES | 462,697.23 | 1.4 | 552,659.70 | 1.4 | 1,015,356.93 | 1.4 |
| TOTAL | 33,805,954.70 | | 38,889,978.28 | | 72,695,932.98 | |

| NET INCOME | 1981 | 1982 | TOTAL |
|---|---|---|---|
| | 765,730.34 | 325,435.50 | 1,091,165.84 |

NOTE: FIGURES COVER THE PERIOD FROM JANUARY 1,1981 TO DECEMBER 31,1982.
PERCENTAGES MAY NOT EQUAL 100 DUE TO ROUNDING.

# WATER DISTRICTS AND ASSOCIATIONS



SEWER COMPANIES AND SEWER DISTRICTS
1981-1982

Chart XIX

REVENUES AND OTHER INCOME

| | 1981 | % | 1982 | % | TOTALS | % |
|---|---|---|---|---|---|---|
| RESIDENTIAL REVENUES | 14,354,890.02 | 92.1 | 14,640,683.29 | 92.8 | 28,995,573.31 | 92.5 |
| OTHER INCOME | 692,786.28 | 4.4 | 597,820.66 | 3.8 | 1,290,606.94 | 4.1 |
| OTHER OPERATING REVENUE | 226,507.88 | 1.5 | 242,922.55 | 1.5 | 469,430,43 | 1.5 |
| COMMERCIAL REVENUES | 220,687.18 | 1.4 | 161,224.00 | 1.0 | 381,911.18 | 1.2 |
| INDUSTRIAL REVENUES | 85,477.81 | .6 | 129,306.55 | .8 | 214,784.36 | .7 |
| TOTALS | 15,580,349.17 | | 15,771,957.05 | | 31,352,306.22 | |

OPERATING EXPENSES

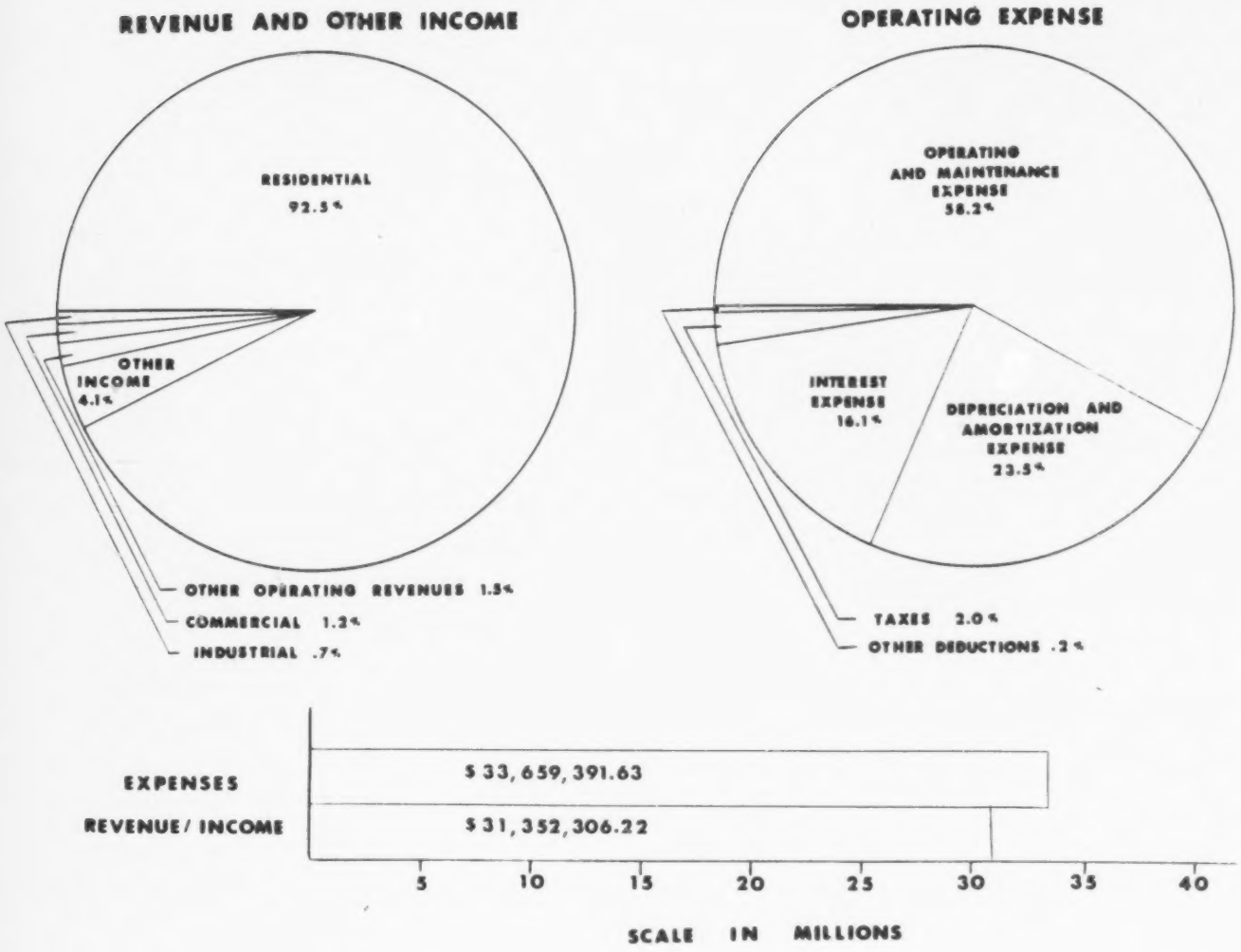
| | 1981 | % | 1982 | % | TOTALS | % |
|---|---|---|---|---|---|---|
| OPERATING AND MAINTENANCE EXPENSE | 9,769,683.35 | 58.4 | 9,809,168.09 | 57.9 | 19,578,851.44 | 58.2 |
| DEPRECIATION AND AMORTIZATION EXPENSE | 3,887,251.39 | 23.2 | 4,030,137.58 | 23.8 | 7,917,388.97 | 23.5 |
| INTEREST EXPENSE | 2,671,310.97 | 16.0 | 2,736,864.86 | 16.2 | 5,408,175.83 | 16.1 |
| TAXES | 347,103.50 | 2.1 | 332,510.20 | 2.0 | 679,613.70 | 2.0 |
| OTHER DEDUCTIONS | 50,065.09 | .3 | 25,296.60 | .1 | 75,361.69 | .2 |
| TOTALS | 16,725,414.30 | | 16,933,977.33 | | 33,659,391.63 | |

NET INCOME

| 1981 | 1982 | TOTALS |
|---|---|---|
| (1,145,065.13) | (1,162,020.28) | (2,307,085.41) |

NOTE: THESE FIGURES COVER THE PERIOD FROM JANUARY 1,1981 TO DECEMBER 31,1982.

# SEWER COMPANIES AND SEWER DISTRICTS



**Eliminating Paper**

In March 1982, the Commission began microfilming its case records dating back to 1934. This project, along with a word processing computer capability soon to be added, will add to the efficiency of the Commission's operation.

**What's Ahead**

The Commission and its staff are working to anticipate changes in various utilities and industries, and regulatory changes that may result.

A federal order has prompted the divestiture of Bell Operating Companies from AT & T Communications. The Commission is prepared to monitor this move in Kentucky, assuring that consumers continue to receive adequate telephone service and companies are allowed to exist in competition.

The Commission is prepared to begin management audit studies of Kentucky's largest utilities in late 1983. In addition, a private firm will conduct a similar audit of the Commission and its staff.

With the completion of the statewide planning study for electric utilties scheduled for mid-1984, the Commission hopes to work with utilities toward developing sufficient power supplies to satisfy customer needs.

The Commission will continue to intervene on behalf of Kentucky consumers in rate cases heard at the federal level. Also, the Commission and staff will remain active and visible in national policy-making organizations including the National Association of Regulatory Utility Commissioners.

Commonwealth of Kentucky

PUBLIC SERVICE COMMISSION
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